

# HOUSE BILL 5

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(PRE-FILED)

01r0350

CF 01r0814

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By: **Delegate Braveboy**

Requested: July 13, 2009

Introduced and read first time: January 13, 2010

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Corporations and Associations – Low-Profit Limited Liability Companies**

3 FOR the purpose of authorizing the formation of a certain low-profit limited liability  
4 company as a permitted form of unincorporated business organization;  
5 requiring the name of a low-profit limited liability company to include certain  
6 words or abbreviations; requiring a low-profit limited liability company to meet  
7 certain requirements; providing that if a low-profit limited liability company  
8 that met certain requirements at its formation subsequently ceases to satisfy a  
9 certain requirement, it shall immediately cease to be a low-profit limited  
10 liability company but may continue to exist as a limited liability company under  
11 certain circumstances; requiring that the articles of organization for a limited  
12 liability company set forth whether it is a low-profit limited liability company;  
13 defining a certain term; and generally relating to low-profit limited liability  
14 companies.

15 BY repealing and reenacting, with amendments,  
16 Article – Corporations and Associations  
17 Section 1-501, 1-502(b) and (f), 4A-101(n) through (r), and 4A-204(a)  
18 Annotated Code of Maryland  
19 (2007 Replacement Volume and 2009 Supplement)

20 BY adding to  
21 Article – Corporations and Associations  
22 Section 1-502(f), 4A-101(n), and 4A-201.1  
23 Annotated Code of Maryland  
24 (2007 Replacement Volume and 2009 Supplement)

25 BY repealing and reenacting, without amendments,  
26 Article – Corporations and Associations  
27 Section 4A-101(a) and (l)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Annotated Code of Maryland  
2 (2007 Replacement Volume and 2009 Supplement)

3 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
4 MARYLAND, That the Laws of Maryland read as follows:

5 **Article – Corporations and Associations**

6 1–501.

7 In this subtitle, “entity” includes:

- 8 (1) A corporation;
- 9 (2) A limited liability company;
- 10 (3) A limited liability partnership;
- 11 (4) A limited partnership;
- 12 (5) A limited liability limited partnership;
- 13 **(6) A LOW–PROFIT LIMITED LIABILITY COMPANY;**
- 14 ~~[(6)] (7)~~ A professional corporation;
- 15 ~~[(7)] (8)~~ A trade name filer; and
- 16 ~~[(8)] (9)~~ A business trust.

17 1–502.

18 (b) ~~[The]~~ **EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS SECTION,**  
19 **THE** name of a limited liability company must include:

- 20 (1) The words “limited liability company”;
- 21 (2) “L.L.C.”;
- 22 (3) “LLC”;
- 23 (4) “L.C.”; or
- 24 (5) “LC”.

25 **(F) THE NAME OF A LOW–PROFIT LIMITED LIABILITY COMPANY MUST**  
26 **INCLUDE:**

1           **(1) THE WORDS “LOW-PROFIT LIMITED LIABILITY COMPANY”;**

2           **(2) THE ABBREVIATION “L3C”; OR**

3           **(3) THE ABBREVIATION “L3C”.**

4           **[(f)] (G)** (1) The corporate name of a professional corporation must  
5 include:

6                           (i) The word “chartered”;

7                           (ii) The abbreviation “chtd.”;

8                           (iii) The words “professional association”;

9                           (iv) The abbreviation “P.A.”;

10                          (v) The words “professional corporation”; or

11                          (vi) The abbreviation “P.C.”.

12                          (2) A professional corporation need not use any word specified under  
13 paragraph (1) of this subsection if:

14                                   (i) The corporation has registered the name to be used in the  
15 manner provided in § 1-406 of this title; and

16                                   (ii) The name is the same as its corporate name except for the  
17 allowable omissions.

18 4A-101.

19           (a) In this title the following terms have the meanings indicated.

20                   (1) “Limited liability company” or “domestic limited liability company”  
21 means a permitted form of unincorporated business organization which is organized  
22 and existing under this title.

23           **(N) “LOW-PROFIT LIMITED LIABILITY COMPANY” MEANS A LIMITED**  
24 **LIABILITY COMPANY THAT MEETS THE REQUIREMENTS OF § 4A-201.1(B) OF**  
25 **THIS TITLE.**

26           **[(n)] (O)** (1) “Member” means a person with an interest in a limited  
27 liability company with the rights and obligations specified under this title.

1           (2) “Member” includes a person who has been admitted as a member  
2 of a limited liability company organized in the State or a foreign limited liability  
3 company.

4           **[(o)] (P)** “Operating agreement” means the agreement and any  
5 amendments thereto, of the members as to the affairs of a limited liability company  
6 and the conduct of its business.

7           **[(p)] (Q)** “Partnership” means a partnership formed under the laws of this  
8 State, any other state, or under the laws of a foreign country.

9           **[(q)] (R)** (1) “Professional service” has the meaning stated in § 5–101 of  
10 this article.

11           (2) “Professional service” includes a service provided by:

12                   (i) An architect;

13                   (ii) An attorney;

14                   (iii) A certified public accountant;

15                   (iv) A chiropractor;

16                   (v) A dentist;

17                   (vi) An osteopath;

18                   (vii) A physician;

19                   (viii) A podiatrist;

20                   (ix) A professional engineer;

21                   (x) A psychologist;

22                   (xi) A licensed real estate broker, licensed associate real estate  
23 broker, or licensed real estate salesperson; or

24                   (xii) A veterinarian.

25           **[(r)] (S)** “State” means a state, territory, or possession of the United States,  
26 the District of Columbia, or the Commonwealth of Puerto Rico.

27 **4A–201.1.**

1           (A) A LIMITED LIABILITY COMPANY MAY BE FORMED AS A LOW-PROFIT  
2 LIMITED LIABILITY COMPANY UNDER THIS TITLE IF IT MEETS THE  
3 REQUIREMENTS OF SUBSECTION (B) OF THIS SECTION.

4           (B) (1) A LOW-PROFIT LIMITED LIABILITY COMPANY:

5                       (i) SHALL HAVE AS ITS BUSINESS PURPOSE TO  
6 SIGNIFICANTLY FURTHER THE ACCOMPLISHMENT OF ONE OR MORE  
7 CHARITABLE OR EDUCATIONAL PURPOSES WITHIN THE MEANING OF §  
8 170(C)(2)(B) OF THE INTERNAL REVENUE CODE AND WOULD NOT HAVE BEEN  
9 FORMED BUT FOR THE RELATIONSHIP OF THE LOW-PROFIT LIMITED LIABILITY  
10 COMPANY TO THE ACCOMPLISHMENT OF THOSE CHARITABLE OR EDUCATIONAL  
11 PURPOSES;

12                       (ii) MAY NOT HAVE AS A SIGNIFICANT PURPOSE THE  
13 PRODUCTION OF INCOME OR THE APPRECIATION OF PROPERTY; AND

14                       (iii) MAY NOT HAVE AS A PURPOSE THE ACCOMPLISHMENT  
15 OF ONE OR MORE POLITICAL OR LEGISLATIVE PURPOSES WITHIN THE MEANING  
16 OF § 170(C)(2)(D) OF THE INTERNAL REVENUE CODE.

17           (2) FOR PURPOSES OF PARAGRAPH (1)(II) OF THIS SUBSECTION,  
18 THE FACT THAT A LOW-PROFIT LIMITED LIABILITY COMPANY PRODUCES  
19 SIGNIFICANT INCOME OR CAPITAL APPRECIATION SHALL NOT, IN THE ABSENCE  
20 OF OTHER FACTORS, BE CONCLUSIVE EVIDENCE OF A SIGNIFICANT PURPOSE  
21 INVOLVING THE PRODUCTION OF INCOME OR THE APPRECIATION OF  
22 PROPERTY.

23           (C) (1) IF A LOW-PROFIT LIMITED LIABILITY COMPANY THAT MET  
24 THE REQUIREMENTS OF SUBSECTION (B) OF THIS SECTION AT ITS FORMATION  
25 AT ANY TIME CEASES TO SATISFY ANY OF THE REQUIREMENTS OF SUBSECTION  
26 (B) OF THIS SECTION, IT SHALL IMMEDIATELY CEASE TO BE A LOW-PROFIT  
27 LIMITED LIABILITY COMPANY BUT BY CONTINUING TO MEET ALL THE OTHER  
28 REQUIREMENTS OF THIS TITLE WILL CONTINUE TO EXIST AS A LIMITED  
29 LIABILITY COMPANY.

30           (2) A LOW-PROFIT LIMITED LIABILITY COMPANY THAT CEASES  
31 TO BE A LOW-PROFIT LIMITED LIABILITY COMPANY BUT CONTINUES TO EXIST  
32 AS A LIMITED LIABILITY COMPANY SHALL CHANGE ITS NAME TO CONFORM WITH  
33 § 1-502(B) OF THIS ARTICLE.

34 4A-204.

35           (a) The articles of organization shall set forth:

- 1           (1)    The name of the limited liability company;
- 2           (2)    The purpose for which the limited liability company is formed;
- 3           (3)    The address of its principal office in this State and the name and  
4 address of its resident agent; [and]

5                   **(4)    WHETHER   THE   LIMITED   LIABILITY   COMPANY   IS   A**  
6 **LOW-PROFIT LIMITED LIABILITY COMPANY; AND**

7                   **[(4)] (5)**    Any other provision, not inconsistent with law, which the  
8 members elect to set out in the articles, including, but not limited to, a statement that  
9 the authority of members to act for the limited liability company solely by virtue of  
10 their being members is limited.

11           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
12 October 1, 2010.